

Canada

10 Provinces + 3 Territories



Canadian Market

The Canadian market is made up of 10 Provinces and 3 territories

The Canadian retail or off-premise business for spirits, wines and beer, is controlled by Provincial liquor boards, which operate their own stores. The exception is the Province of Alberta, which is privatized with more than 1000 independent and chain retailers

The bulk of Canada's business is concentrated in four markets, of which Ontario is the largest, followed by British Columbia, Alberta and Quebec. The liquor Control Board of Ontario is the Largest purchaser of Beverage alcohol in the world. The Provincial Monopolies control approximately 1,500 government liquor stores, 850 private retail stores, along with 1,000 agency or franchise stores in rural areas.

There are more than 30,000 independent and chain hotels, restaurants, bars, night clubs and pubs in Canada. The Quebec market includes over 12,000 independent corner grocery stores that sell beer and wine, while Ontario supports a brewer retail system called The Beer Store. The Beer Store is owned by the largest brewers and operates 450 stores. The duty free business is concentrated in 10 international airports and 36 stores along the Canada US border.

Canadian Liquor Boards (Monopolies)

The Canadian Liquor Boards are independent monopolies, controlled by their provincial governments. Each jurisdiction operates its own business, although they must follow federal rules for product and packaging standards. These Canadian standards relating to Food and Drug regulations, along with packaging regulations, along with packaging requirements for labels and cartons, print and font size and package size etc., are published and available from any liquor board web sites. All brands must have a UPC (Universal Product Code) and SCC (Shipping Carton Code) international product codes for distribution in Canada.

Canadian Liquor Board Policies & Practices

Pricing

Each Liquor Board has “reference” or “floor” pricing standards , which set the minimum retail price point for each product category. All brands encourage premium pricing to enhance profit.

Taxation

All products are subject to excise tax, environmental taxes or levies, plus federal and provincial taxes. Liquor Boards work with international freight forwarders and arrange delivery from point of production or nearest port.

Board Mark-ups

FOB or ex-works prices are subject to liquor board mark-ups that are added on top of freight and other Costs. These mark-ups can exceed 100% of product cost and freight, depending on beverage type and country of origin

Liquor board distribution (Monopoly) systems

Each monopoly has its own retail store and distribution system, staffed by union employees (the province of Alberta is privatized). Licensed bars, restaurants and hotels etc., must buy their products through the Monopoly outlets, many of which have “licensee depots” to handle this channel. There is a slight discount in cost in most provinces, which is available to all outlets equally. It is illegal to offer bars & restaurants (on-premise) incentives or inducements to buy specific products. Restaurants and Bars may however, use branded items such as glasses, point of sale material, and other items to promote specific brands.

Canadian Liquor Board Policies & Practices

Sales Quotas

Liquor Board (Monopoly) purchasing groups have strict sales quotas for all brands listed. Brands not achieving quota are discontinued at the supplier's cost until depleted. Individual stores have the power to list or de-list brands, dependent on volume, compared to other brands in a given category. If products are performing well and growing in sales volume, they will be retained. New brands are provided with initial distribution into approximately 20% of the retail stores, usually the largest in the province, but there is no guarantee that they will remain in these stores after 6 months of sales. It is up to agents sales force to grow the distribution and to Establish shelf space in other retail outlets on a store-by-store basis.

Liquor Board (Monopoly) Advertising and Merchandising programs

Suppliers are encouraged to participate in liquor board advertising and merchandising activities, as well as other promotional programs such as consumer advertising, in-store tasting and on-premise activities. These proposed brand investment costs are reviewed before brands are considered for listing. All actual promotion spend is continually reviewed.

Marketing Plans

A full marketing plan must be submitted as part of the initial application process, which must be made through a licensed agent, working in the province and representing the producer. Many Monopoly's offer "tenders" for various product groups, and review products, packaging, promotional spend, and actual sales in other regions in their review of potential products for their retail stores. Monopoly's will not review unsolicited products which are not represented by a qualified agent. It can take up to one year to launch a new product into the retail system.

Canadian Liquor Board Policies & Practices

Listing Types

Most Monopoly's have two distinct departments: General list (products which must comply with Canadian Standards and quotas); and Vintages or specialty (international products, of unique types and price points, not required to change packaging to meet standards; these are usually reviewed, selected for listing, and purchased on a one-time basis).

Brand building activities must be done through "General list department" where consistent inventories are maintained.

Payment Terms

New Products purchased by the Monopoly's usually have a 90-day payment terms. Once listed and carried on a regular basis, the Government Monopoly's pay suppliers in 30 days after receipt of goods. Note that the province of Alberta and British Columbia sell products on a consignment basis, therefore suppliers are not paid until the product is sold.

Canadian Distribution Outlets

There are approximately 3,200 retail outlets in Canada, more than 30,000 on-premise accounts (Restaurants & Bars), and 35 Duty Free outlets at border cities and airports. Government Monopoly's are targeting \$8 Billion CAD in retail sales and will provide over more than \$2.5 Billion in profits to their provincial governments.

Guideline Between Suppliers & Agents

Being a supplier's agent to any Monopoly requires extensive resources. Agents are responsible for the marketing, promoting and the sales distribution of the products they represent. Agents need to spend as much or more time making sure customers choose their products as they did in getting the Monopoly's to purchase them.

This includes:

- Liaising with the supplier regarding packaging (from a marketing perspective) and pricing.
- Participation in in-store marketing programs.
- Out-of-store advertising and building brand awareness.
- Liaising with store managers regarding tasting and product knowledge.
- Any other public relations activities.

For a product to be considered for sale through the Monopoly retail stores, Agents must apply first with The appropriate business unit. All products selected for general purchase must have agent representation. The new product purchase process is rigorous and detailed. Monopoly staff from each respective area decide what products they will purchase for retail. Competition is strong because they receive significantly more new product submissions than can be merchandise. Therefore they strongly suggest that all suppliers have an experienced agent who can help work through the details

Once the Monopoly agrees to purchase from any supplier, the supplier are responsible for the following;

- Filling orders accurately and on time.
- Ensuring consistent product quality.
- Packaging and labeling according to pre-set standards are met

Mandatory -Supplier of Record

- Have a license to represent a manufacturer issued ie. the Alcohol and Gaming Commission of Ontario (AGCO), under the "Liquor License Act", R.S.O. 1990, C.L.19.
- Present their *License to Represent a Manufacturer* to the LCBO, listing all of the manufacturers/suppliers they represent.
- Comply with all applicable liquor laws and the terms and conditions of any permit, authorization
Comply with the terms and conditions of all programs administered by any Monopoly in which the agent is involved.
- Canadian Monopolys will only conduct business with an agent who is in compliance with the above
- We recommend strongly that licensed representatives obtain and be familiar with a copy of the "Liquor License Act and Regulations" (1990) which governs the sale and service of liquor in Ontario. Copies can be purchased from the Ontario Government Bookstore
- The Supplier must have the legal right to sell the Product for which it is applying to sell to any Monopoly in Canada. Once a Product is purchased by any Monopoly, the applicant Supplier will become the "Supplier of record" for the Product. The name of the Supplier of Record will not be amended or deleted without the written consent of the Supplier, unless the perspective Monopoly stops purchasing the Product as provided for in this document.
- Please note that when a Monopoly approves a new Supplier for a Product that it has been purchasing, due to the sale or transfer of the previous Supplier's business or otherwise, the newly approved Supplier assumes responsibility for payment to the perspective Monopoly of all amounts then (and subsequently) due to the Monopoly for such Product (including, for example, those costs relating to defective or discontinued Product). This requirement applies even though such costs may relate to the period of time when the product was furnished to the Monopoly by the previous Supplier.

Role of Supplier's Agent in Dealing with Monopoly's

Example: Liquor Control Board of Ontario

- Often a Supplier may wish to use an Agent in Ontario to deal with the LCBO for purposes of making an application to sell Product to the LCBO and for promotions and marketing. In this regard, the Supplier must directly appoint one Agent in writing by signing a letter on Supplier letterhead.
- The Supplier may appoint one Agent only to represent any one Product for purposes of conducting business with the LCBO. (This Agent will be referred to as the "Agent of Record" for the Product). In representing one Product, only the Agent of Record may represent that Product in all its package sizes, forms (i.e. bottle, can, etc.) and the entire brand line for the Product's) across all LCBO sales channels. Where more than one Agent claims the right to represent a Product, the LCBO will require the Supplier to clearly authorize one Agent only in writing for this purpose.
- If the Agent of Record at any time represents to the LCBO that it has full power to bind a Supplier in setting price quotations or terms of payment, the LCBO will agree to deal with the Agent on such basis only upon receipt of an additional express written authorization from the Supplier with respect to these matters.
- The LCBO will continue to deal with the "Agent of Record" exclusively on the basis authorized by the Supplier in writing until such time as the LCBO receives from the Supplier express written instructions to the contrary.

General Purchase Product Lifecycle i.e. Liquor Control Board of Ontario

1. Initial Forms and Marketing Plans

- The LCBO issues *Product Needs Letter* requesting product submission. These letters are issued through various trade associations and are available online through the [New Item Submission System \(NISS\)](#).
- Category Manager and Agent/Supplier meet to discuss other product opportunities not covered by the LCBO Tenders
- The agent/supplier submits an application through NISS with a one-page preliminary marketing plan and a product sample.

2. Product Evaluation by the LCBO (approximately four weeks)

- Organoleptic Assessment (tasting) by LCBO Grading Panel.
- The LCBO assesses the application and marketing plans.
- If the LCBO is interested in further review of the product, we will request submission of the [LCBO Product Profile and Marketing Plan](#).



Liquor Control Board of Ontario

General Purchase Product Lifecycle

3. Approval Process (approximately four weeks)

- Once the LCBO decides to consider a purchase:
- Product is submitted to Laboratory for chemical analysis.
- Packaging (label, selling units and shipping cartons) is reviewed and *LCBO Product Profile and Marketing Plan* is received and evaluated

4. Preliminary Decision to Purchase (up to 3 weeks)

- The LCBO issues a *Commitment Letter* outlining conditions to be satisfied before a Purchase Order will be issued.
- All conditions must be met before proceeding.

5. Procurement (up to 16 weeks if imported)

- The LCBO issues a Purchase Order that specifies the terms and conditions of the purchase. All purchase orders are subject to the LCBO's standard Conditions of Purchase. Click here to download the [Conditions of Purchase](#).



Liquor Control Board of Ontario

General Purchase Product Lifecycle

6. Product Receival and Release (three to four weeks)

Upon receipt, new products are put on hold in warehouse until second lab test is completed and final retail price is determined. A memo is issued to stores notifying them of the product's availability. Stores with suitable demographics may get an introductory allocation.

7. Marketing and Sales Support

Suppliers and agents are expected to work with the LCBO as well as independently to build brand and product awareness and build sales.

8. Ongoing Product Monitoring

Performance of all products is regularly reviewed and if products are not meeting sales targets then products are discontinued.